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INFO RUEHOO/CHINA POSTS COLLECTIVE
RUEHVK/AMCONSUL VLADIVOSTOK 0735
RUEAIIA/CIA WASHDC 0198
RHMFISS/COMUSKOREA J2 SEOUL KOR
RUEKJCS/DIA WASHDC 0143
RUCGEVC/Joint STAFF WASHDC 0103
RHEHAAA/NSC WASHDC
RUEKJCS/SECDEF WASHDC 0158

S E C R E T SECTION 01 OF 03 SHENYANG 000141

SIPDIS

DEPARTMENT FOR EAP/K, EAP/CM, INR
MOSCOW PASS TO VLADIVOSTOK

E.O. 12958: DECL: TEN YEARS AFTER KOREAN UNIFICATION
TAGS: CH ECON KN KS PREL RS
SUBJECT: PRC-DPRK BORDER: DPRK ECONOMY ROBUST, UNSC
SANCTIONS ENFORCED?

REF: A. SHENYANG 137
1B. SHENYANG 134
1C. SHENYANG 92
1D. SHENYANG 76

Classified By: Consul General Stephen B. Wickman. Reasons 1.4(b)/(d).

11. (C) SUMMARY: Sources agree that the North Korean economy appears to be the strongest it has been in recent memory. Chinese officials may be enforcing UNSC 1874 (Ref A, B) and financial sanctions through stepped-up inspections at the PRC-DPRK border, but there is local skepticism about the ability of such sanctions to stop the DPRK from engaging in its activities. Separate trips by different consulate officers at multiple points along the PRC-DPRK border suggest a noticeable increase in the amount of North Korean economic activity (Ref C, D). END SUMMARY.

12. (U) ConGenOff traveled to the Yanbian Korean Autonomous Prefecture August 2-9 to meet with local contacts and observe developments along China's Tumen River border with North Korea. Other ConGenOffs stopped by Dandong on August 18.

DPRK ECONOMY ON THE REBOUND? THANKS TO THE 150-DAY BATTLE!

13. (C) A Sino-Korean trader related to us on August 7 his surprise at the improved state of the DPRK economy after his June visit to Pyongyang. He said that electricity and fuel is not a problem in Pyongyang and other key cities, citing the amount of apparent nighttime consumption and vehicular movement he observed during his most recent trip. As a frequent traveler to North Korea, he caveated this observation by warning that above-average rainfall in North Korea was probably a great boon to the DPRK's hydroelectric power plants and that the real test for the North Korean economy was what happened come winter.

14. (C) The trader believed that the DPRK's 150-Day Battle was not a pure propaganda stunt for show, but a determined effort on the part of the North Korean leadership to redirect military-first ("songun") spending toward the civilian economy. Given the deteriorated state of the North Korean economy, he speculated that "instead of wasting money on long-range missiles and nuclear tests that disappear immediately upon usage," the leadership reasoned that it would be able to show the populace tangible improvements with even modest or minimal economic growth. He said the new propaganda themes in Pyongyang no longer mentioned

military-first, missiles, or nuclear issues, but rather sounded the need for the DPRK to become a "strong economic state." He did not think that the DPRK state would fall apart anytime in the next five years. Given the current trajectory, he predicted that North Korea would ultimately be obliged to alter its policies to permit more trade and interaction with foreigners (NOTE: This contact is a former state-owned enterprise manager who has extensive contacts in the provincial and prefectural governments. Due to DPRK intransigence, he says he has refocused his business on PRC-Russia trade while continuing to travel regularly to North Korea. He said he also accompanies Jilin Party Secretary Wang Min and Governor Han Changfu on trade junkets to Moscow and Pyongyang.)

15. (C) The sentiment that Pyongyang was in relative bloom was mirrored by Yanbian University of Science and Technology Vice President David Kim, who talked to us on August 3 after having visited Pyongyang in July. Kim had speculated in a meeting in Shenyang prior to his departure that recent signs of increased economic activity and power consumption in the DPRK were simply the dying throes of a soon-to-fail state. In early August he commented that he had never seen as much electricity and abundance in Pyongyang in his last 10 years of visiting North Korea as he had in mid-July, noting that "100 percent of all lights" were on at night. After seeing the economic and vehicular activity on the streets of Pyongyang during his latest trip, Kim said that he now thought the improvements were "for real" and that people living in Pyongyang "do not feel the squeeze."

CHINA ENFORCING UNSC 1874, FINANCIAL SANCTIONS?

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16. (C) An Amcit NGO leader in charge of a food-processing plant in Rason, said on August 8 that on his last trip to Rason in July, the Chinese customs officials paid more attention to his vehicle and shipments than before. The Chinese customs officials at the Quanhe/Wonjongni Land Port are now requiring him and his employees to regularly bring their Rason-based motor vehicles back to the border to prove that they haven't been illegally sold or given to the North Koreans.

17. (C) A Sino-Korean businessman working in Tumen City and frequent traveler to North Korea said on August 5 that since the adoption of UNSC 1874, following the May 25 DPRK nuclear test, he had heard several accounts of North Korean trading companies in Yanbian being subjected to more scrutiny by major banks, such as the Bank of Jilin, and occasionally even being denied transactions. He said his North Korean contacts in Yanji were frustrated by these refusals (NOTE: The contact is a former PLA tank officer from Longjing City, who has conducted business in the DPRK. Because of his political connections and because he has relatives in the DPRK, he has an unrestricted travel document (which he showed us) to visit all regions of North Korea. Our contact's daughter lives in Canada, and his son lives in South Korea.)

18. (C) We got a contrary view from Wu Jianhua (protect), a government specialist on North Korea and PRC-DPRK issues at the Liaoning Academy of Social Sciences, who told us on July 21 that recent UN sanctions and the efforts to sanction specific companies by name were meaningless. He singled out Amnokgang Trading as an example of a military company that could change its name at any time. Wu speculated that sanctions might work in easy-to-monitor controlled places like Hong Kong or, as they did in 2006, in Macao. Wu averred that the North Koreans could change company names at will and that even with the best of Chinese governmental efforts to enforce UNSC 1874, it would be near impossible to track all of the North Koreans' transactions and front companies in China.

¶9. (S) Wu cited the example of how the North Koreans had smuggled high-quality small arms out of the DPRK and into China for eventual export to Southeast Asian and African markets. He said he had recently heard that Jinzhou in Liaoning Province was home to a still-functioning small-arms exporting operation. He said that the DPRK used multiple land ports along the Yalu and Tumen Rivers to minimize suspicion, avoided relying upon a single point, and employed couriers expressly for this business. Wu suspected that the husband of one of his neighbors from his days at Kim Il-Sung University in the 1980s was engaged in this business.

BORDER SNAPSHOT: STEADY TRADE, CONSIDERABLE ACTIVITY

¶10. (C) CHONGSHAN/SAMJANGNI: ConGenOff traveled to a less traveled section of the PRC-DPRK border on August 6 and visited the border port furthest upstream on the Tumen River. At 1300, ConGenOff observed two large Chinese dump trucks going into North Korea with loads of what appeared to be large gravel chips and other construction materials. Behind the dump trucks was a half-loaded Chinese flatbed truck carrying a load of plain wheat noodles waiting to cross into North Korea. The Chinese customs officials inspecting these loads did not seem to physically inspect the cargo and appeared not even to exit the customs house. On the DPRK side, we saw three bicyclists and two trucks carrying over 10 workers each heading upriver. En route to Nanping/Musan, we saw on the North Korean side a stationary, large late-model tour bus with three people standing outside and a military truck carrying over ten people which passed by the bus.

¶11. (C) NANPING/MUSAN: Around 1500 on August 6, ConGenOff saw two large Chinese dump trucks re-enter China carrying full loads of what appeared to be iron ore from the Musan iron mine. Between Nanping Land Port and Musan City, ConGenOff saw the first of what turned out to be several orange South Korean Doosan-brand excavators working in the DPRK. The excavator worked together with three dump trucks

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to move gravel next to what appeared to be a newly-made gravel spit that extended halfway across the river. In the southwest part of Musan, there were at least ten groups of ten or more people each in the fields along the river and a dozen or more goats grazing along the riverbank. In contrast to previous visits where many people were seen doing laundry on the riverbank, there were fewer than five people washing clothes. Nearby, over 20 people were playing soccer at what appeared to be a school. On the main east-west street, some 80 people and six vehicles were in motion.

¶12. (C) MYONGSIN-RI: This small village also boasted an orange Doosan excavator, though it was not in operation when we stopped by on August 6. A cow pulled a cart and there were three children playing in the river.

¶13. (C) YUSON: There were at least 60 people in the main north-south street of this branch of Hoeryong City on August 6. There were six groups of at least ten people each working the fields. There were four stationary dump trucks by a pile of gravel and a stationary excavator that also appeared to be a good-condition Doosan model.

¶14. (C) TUMEN/NAMYANG: At 1500 on August 5 during a brief visit, ConGenOff saw two large North Korean vehicles carrying covered loads into the DPRK.

¶15. (C) DANDONG/SINUIJU: During their separate visit on August 8, ConGenOffs observed higher than normal levels of activity on the North Korean side, noting signs of industrial and agricultural activity new to our recent memory. The bulk cargo section of the Sinuiju Land Port was in operation with a large crane loading 2.5-ton dump trucks with coal. While one truck was being loaded, the waiting truck was freely idling. There were two late-model touring

buses and minibuses in the riverfront park, along with many North Korean children playing in the Yalu River and waving to Chinese tourists. More than the usual number of factories in Sinuiju were emitting smoke, and there were workers and vehicles visibly moving about in larger than usual numbers. Along the riverfront, there were new construction projects, river barges under repair, and a crane moving large piles of coal into dump trucks.

Traveling upstream of Dandong en route to Hushan, ConGenOffs saw backhoes, front-end loaders, and mobile cranes operating in the fields.

WICKMAN